

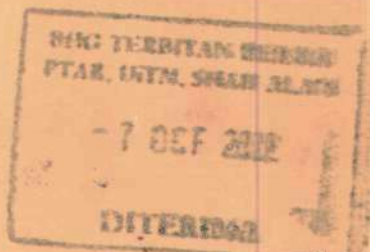
Wahana AKADEMIK

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*Hadiah
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- Analisis Fungsi Permintaan Wang di Malaysia
Kaedah Pembolehubah Bertanggung Pelarasan Separa (Tahun 1960-Tahun 2000)
- Capital Budgeting in Investment and Project Appraisal
- Gambaran Sektor Pertanian Padi di Malaysia dan Kepenggunaan Tenaga Buruh di Sektor Tersebut
- How to Analyse Time Series Data Using Cointegration Techniques
- Key Success Factors of TQM Organizations : A Review of the Literature
- Language Enrichment Activities for Preparatory English
- Learning Styles Useful in Improving Students' Learning
- Malaysian Accounting Standards Overload?
- Motivational Styles and Instructional Designs of Second Language Learning :
A Brief Insight into Students' Language Learning Preferences
- Pengaruh Bahasa Inggeris Terhadap Kecemerlangan Pelajar :
Kajian di Universiti Teknologi MARA (UiTM) Cawangan Kedah, Kampus Sungai Petani
- Perbankan Islam: Bank Islam Malaysia Berhad
- Pengaplikasian Kerajaan Elektronik oleh Jabatan Kerajaan :
Dari Perspektif Pengurusan Rekod
- Self Assessment : An Opportunity to Reduce Tax
- The Admissibility of DNA Profiling under Islamic Law of Evidence

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UiTM
(KEDAH)



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KATA-KATA ALUAN PENAUUNG

Assalamualaikum Warahmatullahi Wabarakatuh

Tahniah diucapkan kepada Jawatankuasa Jurnal Akademik UiTM Cawangan Kedah khasnya dan warga akademik UiTM Cawangan Kedah amnya kerana telah berjaya menerbitkan penerbitan pertama WAHANA AKADEMIK iaitu Jurnal Akademik UiTM Cawangan Kedah. Usaha ini adalah sejajar dengan cabaran era globalisasi yang memerlukan keupayaan penguasaan dalam pelbagai bidang ilmu. Masyarakat yang tidak mempunyai ilmu akan terus ketinggalan dan terkebelakang dalam segala segi. Sebagai sebuah universiti, para pensyarah dapat memainkan peranan yang penting dalam menghadapi cabaran ini kerana ilmu yang diturunkan dalam bentuk penulisan dapat mengubah nasib sesebuah masyarakat. Oleh itu para pensyarah perlulah berusaha untuk melengkapkan diri dengan meningkatkan pengetahuan tentang bidang masing-masing serta komited dengan penulisan dan penerbitan.

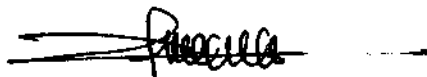
Saya amat berharap kewujudan jurnal WAHANA AKADEMIK akan menjadi pemacu kepada percambahan dan pertumbuhan ilmu serta menjadi saluran utama kepada penerbitan pensyarah UiTM khasnya UiTM Cawangan Kedah.

Saya juga berharap penerbitan jurnal ini dapat dimanfaatkan oleh semua warga kampus UiTM khasnya dan masyarakat amnya dalam usaha untuk memperbanyakkan lagi khazanah ilmu.

Akhir kata, saya sekali lagi mengucapkan setinggi-tinggi penghargaan dan syabas di atas kejayaan menerbitkan WAHANA AKADEMIK.

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Prof. Madya Dr. Zaliha bt. Hj. Hussin
Pengarah Kampus
Universiti Teknologi MARA Cawangan Kedah
Kampus Sungai Petani

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Kegiatan penulisan dalam pembentukan profesyen seorang pensyarah di institusi pengajian tinggi adalah sangat penting. Ini adalah kerana dengan melibatkan diri di dalam penulisan akademik, pensyarah dapat menunjukkan bahawa ia sentiasa berusaha untuk melengkapkan diri dan berkemampuan untuk meningkatkan ilmu pengetahuan sesuai dengan tarafnya sebagai seorang ahli akademik. Walau pun sibuk dengan beban pengajaran yang banyak, tetapi pensyarah tidak wajar menjadikannya sebagai alasan untuk tidak terlibat dalam bidang penulisan. Oleh itu, saya menyeru agar pensyarah sekalian berusaha menjadikan penulisan sebagai satu budaya serta memainkan peranan dengan sebaik-baiknya bagi menyempurnakan kegiatan yang berfaedah ini.

Saya juga berharap agar pensyarah menggunakan peluang untuk mendalami ilmu, mengemukakan pendapat dan seterusnya menyebarkan pengetahuan melalui ruang yang disediakan oleh WAHANA AKADEMIK ini dengan sebaik mungkin. Sesungguhnya penerbitan jurnal ini merupakan satu mekanisme yang dapat mempertingkatkan status akademik pensyarah UiTM Cawangan Kedah di mata masyarakat.

Sekian. Semoga segala usaha dan sumbangan bakti Jawatankuasa tuan/puan semua diberkati Allah S.W.T.

Wassalam.



Zauyah bt. Abd. Razak
*Timbalan Pengarah Kampus
Bahagian Hal Ehwal Akademik
Universiti Teknologi MARA Cawangan Kedah
Kampus Sungai Petani*

DARI KETUA PENYUNTING

Assalamualaikum Warahmatullahi Wabarakatuh

Syukur kepada Allah kerana penerbitan pertama 'WAHANA AKADEMIK,' iaitu jurnal akademik pertama Universiti Teknologi MARA Cawangan Kedah akhirnya dapat diterbitkan. Usaha untuk menerbitkan jurnal ini lahir daripada kesedaran bahawa budaya penulisan perlu dipupuk di kalangan ahli akademik. 'Wahana' yang bermakna alat untuk melahirkan atau menyampaikan fikiran atau pendapat diharap akan dapat dimanfaatkan oleh ahli akademik dalam usaha untuk menyalur dan berkongsi maklumat mengenai perkembangan pelbagai bidang akademik kepada pembaca.

Semua pihak dialu-alukan untuk mengemukakan karya penulisan dan penyelidikan yang belum pernah diterbitkan untuk dimuatkan di dalam jurnal ini. Penulisan boleh dibuat dalam bentuk karya asal penyelidikan, kajian kes, ulasan artikel, pendapat dan lain-lain bentuk penulisan akademik daripada berbagai disiplin pengajian.

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Wan Faizah bt. Wan Abdullah

MALAYSIAN ACCOUNTING STANDARDS OVERLOAD?

MOHD AZHAR OSMAN C.A. (M)

*Pensyarah Perakaunan
Universiti Teknologi MARA Cawangan Kedah
Kampus Sungai Petani
Laman web: <http://azharosman.tripod.com>*

ABSTRACT

Accounting standards dominate the accountant's work. These standards are being constantly changed, deleted, and/or added to, both in Malaysia and abroad. Due to the nature of accounting standards, this paper will assess whether there is an issue of accounting standards overload in Malaysia. If any, this paper will determine the effect of standards overload on, both practitioners and users of financial information. The paper then attempts to suggest solutions to cope with financial reporting overload.

Key words: *Accounting Standards, Standards Overload, Financial Reporting Overload*

INTRODUCTION

The establishment and enforcement of standards is an important matter to the accounting profession and to interested users. Accounting standards provide accountants with guidelines and rules of action to enable them to exercise due care and independence in exercising their expertise and integrity in auditing a firm's reports and in attesting the validity of these reports.

Unfortunately, standards are being constantly changed, deleted and/or added to, both in Malaysia and other countries. This scenario is known as 'standards-overload.' The term 'overload' is used in this paper to mean too many standards, too detailed standards, and excessive disclosures.

Standards change, and the present number of changes in accounting and auditing standards has caused knowledge to be out of date before 'the ink on a degree is dry.'

BACKGROUND OF THE ISSUE

In view of harmonizing the standards of the accountancy profession in Malaysia, the Malaysian Institute of Accountants (MIA) is adopting all the standards for accounting and auditing. The approved standards comprise:

- (a) International Accounting Standards (IAS) and International Auditing Guidelines (IAG) approved for operation in Malaysia.
- (b) Malaysian Accounting Standards (MAS).

(c) **Malaysian Auditing Guidelines (MAG).**

In addition to these promulgated standards, other statements issued by the MIA relating to accounting and auditing, including Technical Bulletins and Auditing Technical Releases, are to be regarded as best current practice and thus form part of the generally accepted accounting principles (GAAP) or generally accepted auditing standards (GAAS) in Malaysia.

Whereas, in absence of an accounting standard or technical pronouncement issued by the MASB, standards and interpretation issued by the International Accounting Standard Board (IASB) shall form the basis of the guidelines of best practices in accounting for financial reporting.

Nowadays, mandated GAAP have increased in number, complexity and specificity, affecting the costs of preparing financial statements for both small and large firms in the country. The GAAP are becoming intolerable to some firms, their auditors and the users of information. The direct conflict arises as the new and detailed GAAP requirements are designed to better serve the informational needs of investors and creditors at the expense of the particular users of financial statements.

The issue of standards overload is made worse by the proliferation of standard-setting bodies and standard-enforcing agencies such as MIA, MACPA, MASB, IASC, Accounting and Auditing Committee (AAC), and Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Securities Commission, Central Bank, Registrar of Companies, Kuala Lumpur Stock Exchange, Accountant-General, etc.

Due to the increase in the complexity of financial transactions and legal structures, the number of accounting standards and Statement of Principles is expected to increase accordingly.

Furthermore, in resolving new financial reporting issues, more reliance is made on Statements of Accounting Concepts. The question is how would accountants cope with the financial reporting overload?

OBJECTIVES

In dealing with this issue, the following three objectives are identified in this study:

- To determine whether there is an overload problem in Malaysia.
- To determine the effect of standards overload.
- To suggest solutions to cope with financial reporting overload.

STANDARDS OVERLOAD?

The IAS that are operative in Malaysia as of 30 June 2001 comprise of all the IAS issued by the IASC up to IAS 41, except for IAS 3 which was superseded and IAS 6 which was withdrawn. These standards were considered for adoption by the Common Working Technical Committee (CWTC) jointly set up

by the MACPA and MIA and became operative once the Councils of MACPA and MIA had approved and pronounced them as Approved Accounting Standards (AAS). AAS are promulgated standards and their compliance is mandatory.

Apart from this responsibility, the Councils also approved MAS, which were issued by the MASB. The MASB's AAS were published in the Gazette of the Financial Reporting Regulations, 1999 (Publication of AAS). The MASB initially adopted twenty-four of the extant IASs and MASs. Thus far, the MASB has issued twenty-four standards and thirty Exposure Drafts (EDs). Other pronouncements issued by MASB include two SOPs, two TRs, one Interpretation Bulletin, and one Discussion Paper.

In regard to auditing standards, AAC has, thus far, issued thirty approved standards on auditing, eleven International Auditing Practice Statements plus some other bulletins, exposure drafts and discussion papers.

The technical pronouncements, which were discussed above are listed in **Appendix 1**.

Looking at the above scenario, it seems that a standards overload has taken place in Malaysia and it is unlikely that the number and complexity of accounting standards will be decreased, as these standards result from the need to portray complex and new financial situations.

EFFECTS OF ACCOUNTING STANDARDS OVERLOAD

Accounting standards overload can seriously affect the work performed by accountants, the value of financial information and business decisions made by management.

The excessive data required when complying with existing standards may cause the accountants to lose sight of the real jobs. The accountants may lose the focus of the audit and may forget to perform basic audit procedures. In addition, the number and complexity of the notes used to explain the requirements under the existing standards might confuse the users.

The jargon used such as capitalization of leases, can be understood only by accountants and other financial persons. The number and complexity of the standards may also overwhelm the managers. Thus, they tend to avoid the detailed requirements of some accounting standards by, for example, rewriting contracts and changing business practices.

COPING WITH FINANCIAL REPORTING OVERLOAD

The laws and standards relating to financial reporting are changing at a breathtaking pace. But, there are ways to keep up. According to Colin Parker and Judith Downes (1996), in protecting the value of knowledge to employers and clients, accounting professionals should identify the areas of financial reporting and auditing that are relevant to the current professional work or may be relevant in future.

This will assist in reading selectively, especially important developments that affect one's professional work. Coping with new and increasing number of standards is only achieved by diligent reading (through relevant accounting journals), attendance at seminars, and discussions with one's peers. Part of coping with new standards is anticipating their development. This can be achieved by reviewing Exposure Drafts (EDs) and Discussion Papers.

In 2002, we can expect more discussions on the issue of new standards in improving the accountability, transparency, and financial management of Malaysian companies. The MASB plans to implement standards pertaining to income tax (MASB 25), interim financial reporting (MASB 26) and borrowing costs (MASB 27) before March 2002. In addition, standards on the presentation of financial statements of Islamic financial institutions have been slated for implementation from January 2003.

CONCLUSION

Looking at the financial reporting changes in Malaysia recently, it is clear that the issue of standards overload does exist. It also shows how quickly knowledge of financial reporting requirements has become outdated and inadequate. Thus, accounting professionals should protect the value of their knowledge by identifying the area relevant to their current professional work.

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- Ng Eng Juan.1994. *International Accounting Standards - Malaysia*. Singapore: Longman Singapore Publishers.
- Parker, C. and Downes, J. 1996. Coping with financial reporting overload. *Australian Accountant* April: 28 29.

Appendix 1
Technical Pronouncements Issued by MIA
(operative as at 30 June 2001)

I. Approved Accounting Standards

- a) International Accounting Standards Board**
- IAS 1 Presentation of Financial Statements
 - IAS 2 Inventories
 - IAS 7 Cash Flow Statements
 - IAS 8 Net Profit or Loss for the period,
Fundamental Errors and Changes in
Accounting Policies
 - IAS 10 Events After the Balance Sheet Date
 - IAS 11 Construction Contracts
 - IAS 12 Income Taxes
 - IAS 14 Segment Reporting
 - IAS 15 Information Reflecting the Effects of
Changing Prices
 - IAS 16 Property, Plant and Equipment
 - IAS 17 Leases
 - IAS 18 Revenue
 - IAS 19 Employee Benefits
 - IAS 20 Accounting for Government Grants and
Disclosure of Government Assistance
 - IAS 21 The Effects of Changes in Foreign
Exchange Rates
 - IAS 22 Business Combinations
 - IAS 23 Borrowing Costs
 - IAS 24 Related Party Disclosures
 - IAS 26 Accounting and Reporting by Retirement
Benefit Plans
 - IAS 27 Consolidated Financial Statements and
Accounting for Investments in Subsidiaries
 - IAS 28 Accounting for Investments in Associates
 - IAS 29 Financial Reporting in Hyperinflationary
Economies
 - IAS 30 Disclosures in the Financial Statements of
Banks and Similar Financial Institutions
 - IAS 31 Financial Reporting of Interest in Joint
Ventures
 - IAS 32 Financial Instruments: Disclosure and
Presentation
 - IAS 33 Earnings Per Share
 - IAS 34 Interim Financial Reporting
 - IAS 35 Discontinuing Operations
 - IAS 36 Impairment of Assets
 - IAS 37 Provisions, Contingent Liabilities and
Contingent Assets
 - IAS 38 Intangible Assets

IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

Discussion Papers:

Insurance Issues Paper (1999)
 Business Reporting on the Internet (2001)
 Extractive Industries Issues Papers (2001)
 Draft Standard and Basis for
 Conclusions - Financial Instruments and
 Similar Items (2001)

b) Malaysian Accounting Standards Board

MASB 1	Presentation of Financial Statements
MASB 2	Inventories
MASB 3	Net Profit or Loss for the period, Fundamental Errors and Changes in Accounting Policies
MASB 4	Research and Development Costs
MASB 5	Cash Flow Statements
MASB 6	The Effects of Changes in Foreign Exchange Rates
MASB 7	Construction Contracts
MASB 8	Related Party Disclosures
MASB 9	Revenue
MASB 10	Leases
MASB 11	Consolidated Financial Statements and Accounting for Investments in Subsidiaries
MASB 12	Accounting for Investments in Associate
MASB 13	Earnings Per Share
MASB 14	Depreciation Accounting
MASB 15	Property, Plant and Equipment
MASB 16	Financial Reporting of Interest in Joint Ventures
MASB 17	General Insurance Business
MASB 18	Life Insurance Business
MASB 19	Events After the Balance Sheet Date
MASB 20	Provisions, Contingent Liabilities and Contingent Assets
MASB 21	Business Combinations
MASB 22	Segment Reporting
MASB 23	Impairment of Assets
MASB 24	Financial Instruments: Disclosure and Presentation

Statement of Principles:

SOP 1	Exempt Enterprise
SOP 2	Interim Financial Reporting

Technical Releases:

- TR 1 Share Buybacks - Accounting and Disclosures
TR 2 The Year 2000 Issues: Accounting and Disclosure

Interpretation Bulletin:

- IB-1 Preliminary and Pre-Operating Expenses

Discussion Paper:

- A Proposed Framework for the Preparation of Financial Statements

Exposure Draft:

- ED 19 Borrowing Costs
ED 26 Financial Reporting by Unit Trusts
ED 27 Property Development Activities
ED 28 Goodwill
ED 29 Income Taxes
ED 30 Interim Financial Reporting

c) Malaysian Accounting Standards

- MAS 1 Earning per Share
MAS 2 Accounting for Acquisition and Mergers
MAS 3 Accounting for General Insurance Business
MAS 4 Accounting for Life Insurance Business
MAS 5 Accounting for Aquaculture
MAS 6 Accounting for Goodwill
MAS 7 Accounting for Property Development
MAS 8 Accounting for Pre-Cropping Costs

II. Approved Standards on Auditing

- 100 Preface to ISAs and RSs
110 Glossary of Terms
120 Framework of ISAs
200 Objective and General Principles Governing an Audit of Fin. Statements
210 Terms of Audit Engagements
220 Quality Control of Audit Work
230 Documentation
240 Fraud and Error
250 Consideration of Laws and Regulations in an Audit of Fin. Statements
300 Planning
310 Knowledge of the Business
320 Audit Materiality
400 Risk Assessments and Internal Control
401 Auditing in a Computer Information Systems Environment

402	Audit Considerations Relating to Entities Using Service Organisations
500	Audit Evidence
501	Audit Evidence - Additional Considerations for Specific Items
510	Initial Engagements - Opening Balances
520	Analytical Procedures
530	Audit Sampling and Other Selective Testing Procedures
540	Audit of Accounting Estimates
550	Related Parties 1998
560	Subsequent Events
570	Going Concern
580	Management Representations
600	Using the Work of Another Auditor
610	Considering the Work of Internal Auditing
620	Using the Work of an Expert
700	The Auditor's Report on Financial Statements
710	Comparatives
720	Other Information in Documents Containing Audited Fin. Statements
800	The Auditor's Report on Special Purpose Audit Engagements
810	The Examination of Prospective Financial Information
910	Engagement to Review Financial Statements
920	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information
930	Engagements to Compile Financial Information